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ABSTRACT

This booklet presents a variety of updated information for use by study groups and others interested in Texas public school finance. Section 1 reviews various study group projects related to Texas school finance; section 2 reports on finance-related activities and research projects of the Texas Education Agency; section 3 lists several publications dealing with public school finance in Texas; and section 4 lists several national studies on public school finance. Most of the booklet consists of the following attachments: public school finance recommendations adopted by the Texas State Board of Education; public school revenue system recommendations adopted by the Texas Advisory Commission on Intergovernmental Relations; recommendations of the Texas Interim Subcommittee on Public School Finance; excerpts from newsletters of the Texas Legislative Property Tax Committee and the Education Commission of the States; cost indices developed by the Texas Education Agency; an analysis of state-supported educational program costs; a Texas Attorney General's opinion on school tax equalization; and selected fiscal data on public elementary and secondary education compiled by the U.S. Department of Health, Education, and Welfare. (JG)

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The BRIEFER For Texas School Finance Studies

Issued 11/25/74 by the Texas Education Agency

Austin, Texas

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U S DEPARTMENT OF HEALTH, EDUCATION & WELFARE
NATIONAL INSTITUTE OF EDUCATION

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THE BRIEFER is published as an informal means to serve present study efforts regarding public school finance in Texas. The purpose of THE BRIEFER is to provide for a systematic exchange of information on school finance among study groups and others interested in this subject. At the request of the groups presently involved in school finance studies, the Texas Education Agency has assumed the responsibility of compiling, printing, and distributing THE BRIEFER.

The information which appears in each issue will be information which has been received since the previous issue of THE BRIEFER, and prior to the date of issue. Selected reprints of research reports which contribute to the study of school finance will appear in THE BRIEFER.

Those groups studying public school finance are encouraged to submit information for inclusion in THE BRIEFER. Attention is directed to page 2 for status reports of present studies on school finance in Texas.

Requests and inquiries concerning THE BRIEFER should be directed to:

The Office of the Deputy Commissioner of Education
Texas Education Agency
201 East Eleventh Street
Austin, Texas 78701

Telephone: 475-6448
Contact: Ron Knight

EA 008 985

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I. STATUS OF STUDY GROUP PROJECTS

A. Governor's Office: Educational Research and Planning

Moral, ethical, and legal considerations make it mandatory that Texas equalize access to quality educational opportunities for all public school students and ensure equity for the taxpayer within the state system of public education. Beginning the implementation of a program to achieve such goals can no longer be delayed.

Governor Briscoe has committed himself to the establishment of a comprehensive foundation school program which does not need to be "enriched" through additional local tax effort in order to provide quality education. He has also committed himself to oppose any effort to delay the beginning of the implementation of that program.

In the spirit of these commitments, the Governor established an Office of Educational Research and Planning to assist him in developing proposals for the achievement of equity goals in public education. Working with many organizations and individuals in new research and development activities and building on prior research, the Governor's staff began an effort in July, 1973 to address 20 areas of inquiry. In spite of the best efforts of all concerned, a few of the projects remain in progress; notable among these are the development of (1) district-by-district estimates of 1974 taxable values which should be available by February 15, (2) proposals for assisting school districts with facilities financing which should be available by December 20, (3) minimum salary standards which should be available by December 20, and (4) plans for assisting school districts with 1976-77 start-up costs in vocational programs which should be available by January 1. These inquiries have resulted or will result in the provision of the research and development necessary to planning for the comprehensive restructuring of the state system of school finance.

The selected tentative proposals presented in the attached document evolved from such inquiries. In addition to daily communications, the Governor's staff will conduct, during the first three weeks of December, sixty discussion sessions (three in each education service center region - see schedule below) with interested citizens, educators, and legislators. Feedback regarding these tentative proposals will be utilized to finalize staff recommendations, and inputs received during these discussion sessions will be carefully considered by the Governor as he prepares his proposals to the Sixty-fourth Legislature.

In other words, the attached document does not reflect a finalized position by either the staff that developed it or the Governor. It should be viewed as an instrument with which to stimulate productive exchanges between the Governor's Office of Educational Research and Planning and fellow Texans committed to quality educational opportunities for all public school students and to fundamental fairness for the taxpayer. As a result of these exchanges, the Governor will have a better basis for for designing his plan for the restructuring of the state system of the public school finance.

GOVERNOR'S OFFICE
OF
EDUCATIONAL RESEARCH AND PLANNING

SCHEDULE OF DISCUSSION SESSIONS

DATE	CITY	EDUCATION SERVICE CENTER REGION
December 2 - 3	Edinburg	I
	Corpus Christi	II
	Kilgore	VII
	Amarillo	XVI
December 4 - 5	Victoria	III
	Houston	IV
	Huntsville	VI
	Mt. Pleasant	VIII
	Lubbock	XVII
December 6 and 13	Austin	XIII
December 9 - 10	Fort Worth	XI
	Waco	XII
	Abilene	XIV
December 11 - 12	Beaumont	V
	Richardson	X
	San Angelo	XV
December 16 - 17	Midland - Odessa	XVIII
	San Antonio	XX
December 18 - 19	Wichita Falls	IX
	El Paso	XIX

Persons interested in attending these public meetings should contact the appropriate regional education service center for the time and location of the meetings.

I. STATUS OF STUDY GROUP PROJECTS (continued)

B. Senate Education Committee --

The staff of the Committee is preparing general education legislation as well as a comprehensive public school finance plan for introduction to the Sixty-fourth Legislature. An emergency school finance plan has also been drafted and an analysis of its effects prepared.

The Committee has established general principles for any school finance plan (See BRIEFER, 3-29-74). However, the staff is developing a "component" type plan wherein different alternatives might be substituted.

For futher information or inquiries about the work of the Senate Education Committee contact:

Mrs. Karol L. Phelan
Committee Coordinator
Senate Education Committee
State Capitol, Room G-21
Austin, Texas 78711

(512) 475-2020

C. House Education Committee-- (See p. 9, Item III.B.1.)

D. House Interim Study Committee on the Reorganization and Modernization of Public Education: Subcommittee on Public School Finance --

This subcommittee is chaired by State Representative Herman Adams and was appointed by Representative R. B. McAlister, chairman of the House Interim Study Committee on the Reorganization and Modernization of Public Education (Committee of 24). Members of the subcommittee include Representative Ray Barnhardt, Representative Carlos Truan, Representative Eddie Bernice Johnson, and Dr. L. D. Haskew.

The subcommittee was charged with gathering existing information from studies and proposals on public school finance in Texas and to make recommendations to the Committee of 24. To date the subcommittee has held three public hearings on the following topics:

1. "An Overview of School Finance in Texas" (Austin, October 8, 1974);

2. "The Weighted Pupil vs. Other Fund Allocation Formulas" (Austin, October 22, 1974); and

3. "Practical Application of the Weighted Pupil Formula in Specific School Districts" (Pasadena Independent School District Administration Building, Pasadena, October 29, 1974).

I. STATUS OF STUDY GROUP PROJECTS (continued)

Among those who have testified before this subcommittee have been representatives of the Governor's Office of Educational Research and Planning, Texas Education Agency, Texas State Teachers Association, Texas Association of School Boards, Legislative Property Tax Committee, Texans for Educational Excellence and Intercultural Development Research Association, and school administrators from several school districts in the Houston area.

The subcommittee will hold a final public hearing on Monday, November 18, 1974, in the Old Supreme Court Room in the State Capitol, 9:30 a.m. Topics to be discussed will include the taxation component of school finance and the need for immediate emergency funding for public schools. At its final hearing, the subcommittee is expected to make recommendations concerning several aspects of public school finance. Specific areas in which recommendations may be made include:*

1. The fund allocation formula;
2. The taxation component of school finance equation (i.e., who shall have the authority to assess and collect property taxes for education and what guidelines should be established?);
3. An accountability system;
4. Teacher salaries;
5. An enrichment program;
6. Transportation funding; and
7. Emergency funding for 1974-75 school year.

A report of the subcommittee will be prepared in which recommendations based upon information gathered during hearings will be presented to the parent Committee of 24 in late November. This report of the subcommittee will be presented as part of the report of the Committee of 24 in December.

For further information or inquiries about the work of the Committee of 24 or the Subcommittee on Public School Finance contact:

Mr. Don Buford
Chief Clerk
Committee of 24
Capitol Station, Box 2910
Austin, Texas 78767

(512) 475-5867

* Late addition to THE BRIEFER:
Attachment C: Summary of Recommendations adopted by this Subcommittee.

I. STATUS OF STUDY GROUP PROJECTS (continued)

E. Texas Advisory Commission on Intergovernmental Relations --

The Texas Advisory Commission on Intergovernmental Relations adopted 15 recommendations for revising the current state-local public school revenue system at its bimonthly meeting November 8. The recommendations call for state equalization of local ability to raise revenues for public school financing, reform of the property tax, and establishment of state standards and oversight of countywide school property tax appraisal. A list of the recommendations is ATTACHMENT B.

The Commission also approved publication of a research study that forms the basis for the recommendations. Examining the adequacy and equity of the current revenue system, the report provides an intensive analysis of the property tax in financing public schools in Texas. This report was prepared under a cooperative agreement between the Commission and the Texas Research League.

Publication of both reports is scheduled for December. Draft copies of the recommendations report are available from the Commission. The research study is still subject to final technical review and editing.

F. Legislative Property Tax Committee --

ATTACHMENT D is an excerpt from the newletter of the Legislative Property Tax Committee, October, 1974 describing the LPTC market value study of 35 randomly selected Texas school districts. Preliminary results from verified property sales data and appraisal reports for use in estimating taxable market value and assessment ratios will be known by mid November. The first draft of a final report of the study will be presented to the Committee before December 1, 1974. A final report will be published by December 31. Inquiries about this project and other projects of the Committee should be addressed to:

Legislative Property Tax Committee
105 West Riverside Drive, Suite 275
Austin, Texas 78704

G. State Board of Education Committee on Public School Finance --

The State Board Committee on Public School Finance, chaired by Mr. Vernon Baird, held meetings September 28; October 4; and October 28, 1974, to review and evaluate the school finance plan previously adopted by the State Board in February, 1973, and to consider modifications and revisions to that plan. Efforts by the Board Committee to review and revise this plan have been based upon the strengths inherent in the foundation concept and have sought to incorporate other features including:

I. STATUS OF STUDY GROUP PROJECTS (continued)

1. expansion of the present Foundation Program to a level providing an adequate basis of support;

2. assignment of the local share of the Foundation costs in relation to each district's taxable capacity as determined from a market value index with provisions to move to full state funding if market value information is not obtained;

3. expansion of school district capability to enhance and enrich the Foundation School Program and equalization of such capability if market value information is available; and

4. retention of debt service and capital outlay as a local responsibility.

The modified plan adopted by the Board Committee on Public School Finance was submitted to the State Board of Education and adopted by the Board on November 9, 1974, at its regular meeting.

A summary of the recommendations contained in the plan adopted by the State Board is presented in ATTACHMENT A.

At the Board Committee meeting, October 28, Dr. Richard L. Hooker, Special Assistant to the Governor and his staff presented a set of tentative recommendations for restructuring public elementary and secondary school finance in Texas. Among the recommendations presented by Dr. Hooker were proposals for a weighted pupil method of distributing foundation funds, a revised transportation delivery system, an educational renewal and accountability system, and a system of finance based upon the market value of taxable property as the measure of local ability to support public education. (See pp. 1 ff. of this issue of THE BRIEFER for further information about Governor's Office proposals).

H. Other --

Several other groups are developing school finance proposals or statements of policy in this area. Among these groups are the Texas State Teachers Association and the Texas Association of School Boards. For information regarding the work of these groups contact:

Mr. Earl Cantrell
Texas State Teachers Association
316 West Twelfth, Austin, Texas 78701
(512) 476-5355

Mr. Brad Duggan
Director of Information Services
Texas Association of School Boards
507 West Avenue, Austin, Texas 78701
(512) 476-9116

II. TEXAS EDUCATION AGENCY RESEARCH AND INFORMATION REPORT

Program Cost Differential Study (Weighted Pupil Study)

A forthcoming technical report of a program cost differential study for the Senate Education Committee and the Governor's Office of Educational Research and Planning conducted by the School Finance - Special Projects staff of the Texas Education Agency will be available within the next month. This technical report will describe the procedures used to determine program cost differential indices (i.e., "weights") and costs per FTE student for twenty-two regular, vocational and special education programs in forty-one exemplary Texas school districts for the year 1972-73.

The report will contain average program cost differential indices and costs per full-time equivalent (FTE) student for the total of forty-one districts in the study. Illustrative of the type of information which will be contained in the report is the information presented in ATTACHMENT E.

Inquiries about the study should be addressed to:

Mr. Lynn Moak
Project Director
Program Cost Differential Study
Texas Education Agency
201 East Eleventh Street
Austin, Texas 78701

Estimates and Projections

An analysis of information on school district organization and student enrollments in Estimates and Projections appeared in THE BRIEFER, March 29, 1974. A similar analysis of the staffing and revenue data in Estimates and Projections appeared in THE BRIEFER, August 7, 1974. ATTACHMENT F of this issue is an analysis of state supported program costs and professional salaries in Texas.

Cost Estimates and Impact Models

The School Finance-Special Projects section has received requests for statewide cost estimates of school finance plans being considered by various groups and is presently developing computer models for providing information and projected statewide costs as well as the district level impact of these plans.

ATTORNEY GENERAL'S OPINION: The Equalization of Assessment Ratios in the County Economic Index Formula (See ATTACHMENT G).

Letters to all county tax assessors were mailed November 15 requesting that they submit to the Texas Education Agency the percentage of market value used in determining the assessed values for the 1973 and 1974 tax years. These county-by-county figures, due by December 13, will be used as one of the factors in computing the 1975-76 Economic Index. This action follows the opinion by Attorney General John L. Hill, November 12, that: "The Commissioner of Education should require each county's tax assessor to report the percentage of market value used in determining the assessed value of property in that county." Hill's opinion further stated that "the Commissioner should use this information in computing the county economic index to achieve uniformity of property values of each county as compared with every other county." In complying with this opinion, Commissioner of Education, Dr. M. L. Brockette, announced that the Agency will follow these specific procedures: (1) the revised approach to calculating the Economic Index will be implemented over a three-year period beginning in 1975-76 in order to lessen the impact; and (2) market value will be used for calculating any adjustments which depend upon property values for calculation. The new Economic Index will be submitted to the State Board in March, 1975, for its approval.

III. TEXAS SCHOOL FINANCE BIBLIOGRAPHY

The following listings are additions to the compilation of information and bibliography specifically related to the study of school finance in Texas included in previous issues of THE BRIEFER.

A. Texas Education Agency

B. Legislative Studies

1. A Time for Change: Toward Quality and Equality Report of House Education Committee. For copies of this report, contact Mr. Lee Manross, Chief Council, House Education Committee, House of Representatives, P. O. Box 2910, Capitol Station, Austin, Texas 78711.

C. Texas Advisory Commission on Intergovernmental Relations (See p. above).

D. Other

1. The Possibilities for Tomorrow's School: A Proposed Program for the 1980's, prepared by the Texas Association for Supervision and Curriculum Development Task Force to Study Improvements in Elementary and Secondary Education, August, 1974.

   Note: Final publication entitled A School Curriculum Design For the 1980's.

2. Education For Work To Better Serve The Needs of Individuals and Society. Fifth Annual Report of The Advisory Council for Technical-Vocational Education in Texas, November, 1974.

IV. NATIONAL STUDIES AND STUDIES IN OTHER STATES ON SCHOOL FINANCE

This section lists current reports and other bibliographical information but should not be considered an exhaustive, cumlative bibliography. For the initial list of reports and bibliography, the reader is referred to the August, 1973, issue of THE BRIEFER.

Readers having information about additional reports and documents are encouraged to submit this information to THE BRIEFER.

A. Understanding Financial Support of Public Schools: 1974-75, The University of the State of New York, The State Education Department Bureau of Educational Finance Research, Albany, New York 12224.

Note: This report was designed to help the average school district voter, the new school board member, the PTA participant, and civic organization to understand the operation of State aid distribution to the school districts of New York State.

B. Prepublication Release: Selected Fiscal Data for Public Elementary and Secondary Education, Department of Health, Education, and Welfare, September, 1974. SEE ATTACHMENT H.

C. Excerpts from Legislative Review, Education Commission of the States. See ATTACHMENT I.

ATTACHMENT A

A Public School Finance Plan
Adopted By
The Texas State Board of Education
November, 1974

Summary of Recommendations

SCHOOL FINANCE BRIEFER

November 25, 1974

INTRODUCTION

In 1973, the State Board of Education developed and submitted to the Governor, the Sixty-third Legislature, and the general public a Public School Finance Plan. The Board assigned the principal responsibility for the school finance study to a special committee. This State Board of Education Committee on Public School Finance began its work by considering the scope of public school education needed and wanted in Texas -- the populations to be served, the programs and services to be offered, and the elements of quality desired. The level of funding to support the program and the method of financing were then determined.

Three alternative plans for improving public school education were considered by the Committee before the decision was made to recommend: (1) full implementation of the recommendations of the Governor's Committee on Public School Education; (2) development of a weighted pupil approach to financing public school education; and (3) development of an expanded Foundation School Program. During the months of intensive study, the Board also worked with other concerned citizens and organizations in Texas to establish a common base of information, to coordinate efforts, and to share information.

The Board Committee worked on this study for nearly a year before submitting a tentative plan for Board consideration in November, 1972. Following broad distribution, public involvement and response, and review of other plans for financing public education, a final plan was adopted by the State Board of Education on February 10, 1973.

For the past several months, the State Board of Education Committee on Public School Finance has been reevaluating and revising this plan. This Committee recommended that several of the specifics of the plan be updated to reflect current district practice and other considerations.

Both the 1973 plan and this revised version build upon the strengths inherent in the foundation concept and incorporate other features including:

(1) expansion of the present Foundation Program to a level providing an adequate basis of support;

(2) assignment of the local share of the Foundation costs in relation to each district's taxable capacity as determined from a market value index with provisions to move to full state funding if market value information is not obtained;

(3) expansion of school district capability to enhance and enrich the Foundation School Program and equalization of such capability if market value information is available; and

(4) retention of debt service and capital outlay as a local responsibility.

The Board has also recognized responsible educational governance as a factor in the determination of educational quality and the method of financing public school education. Recommendations for this area have been made in a separate legislative recommendation supplement.

The State Board of Education has long recognized the need for improving the financing of Texas public schools. Evidence of this concern can be seen in the Board's recommendations for legislation submitted over the years. Change in financing is inevitable. The State Board of Education proposes one plan for change and, in its opinion, a plan which would provide the quality of education desired for Texas. Each of the twelve recommendations of this plan is followed by a brief explanation and justification. A complete list of all the recommendations is summarized in the following pages. An alternative set of recommendations is also offered in the event that the Legislature does not authorize the development of a system for obtaining market value information.

The Board recognizes that this plan is one of many school finance plans currently under development by both public and private groups. In recognition of this fact, the Board encourages all study groups to participate in mutual review and identification of the vital issues in the financing of public school education in Texas.

SUMMARY OF RECOMMENDATIONS

RECOMMENDATION #1

Presently authorized increases in the Foundation School Program should be fully implemented according to schedule. Kindergarten bilingual education along with any increases in the Foundation School Program enacted by the 64th Legislature should be incorporated into the program recommended in this report.

RECOMMENDATION #2

Average daily attendance for state aid purposes should be calculated on the basis of the best four six week, best three nine week, or best two twelve week reporting periods.

RECOMMENDATION #3

Staffing allocations for regular program personnel should be improved.

1. Classroom Teachers - One regular classroom teacher for each 23 ADA or major fraction thereof for districts with more than 156 ADA. Allocations for smaller districts and for vocational and special education should remain as in current law. For kindergarten through third grade, the actual ratio within the district of students to teachers should average 20 students (ADA) per teacher. Teachers allocated under the Foundation School Program should be required to perform teaching duties, as defined by the regulations of the State Board of Education.

2. Special Duty Teachers - Up to 15 percent of the allocated classroom teachers may be designated as special duty teachers and paid accordingly.

3. Aides - One aide for every 10 classroom teachers, allocated among three pay grade levels, subject to percentage limitations.

4. Counselors - One counselor for each 1,000 students in average daily attendance or major fraction thereof allotted under policies established by the State Board of Education.

5. Supportive Professionals - One unit for each 275 ADA for districts with 1,000 ADA or more. Three units for districts from 500 to 999 ADA. One unit for districts with less than 500 ADA with an accredited four year high school. These personnel should be allocated among pay grades on the basis of maximum percentage allocations. Separate allocations for supervisors and special service personnel should be replaced by the new formula.

6. Principals - One unit for the first 15 CTU and one for each additional 25 CTU with no credit for fractions. Principal units should be divided between head principals and assistant principals. A district with an accredited four year high school and fewer than 15 CTU should be permitted to use one CTU as a part-time principal.

7. Superintendents - One unit for each district operating an accredited four year high school (current formula).

8. Staffing Flexibility - The Commissioner of Education, subject to the policies of the State Board of Education, should be permitted to allow flexibility among the categories of personnel allocated under the Foundation School Program for purposes other than vocational and special education. However, flexiblity shall not increase the level of spending under the Foundation School Program.

RECOMMENDATION #4

Allotments for operating costs other than professional salaries and transportation should be based on $175 per ADA. Present operating allowances for the support of vocational education, special education, and bilingual education costs should be continued. A basic allotment of not less than $3.00 per ADA should be provided to support the acquisition of printed and audiovisual materials for the Learning Resources Centers.

RECOMMENDATION #5

Formulas for the transportation allotment should be increased by approximately $800 per bus route. The present formula for the provision of special education transportation should be maintained at $150 per eligible student transported.

RECOMMENDATION #6

Expenditures from Title I of the Elementary and Secondary Education Act (ESEA, Title I) for educationally disadvantaged children residing in high concentration areas of low income families should be supplemented by a state allotment of $100 per pupil.

RECOMMENDATION #7

The Legislature should adopt a system for the determination of estimates of the market value of taxable property in each school district in the State, and for the establishment of an index of such values.

RECOMMENDATION #8

The Foundation School Program should be financed from a combination of state and local funds. The local share of the cost of the Program should be determined by the application of the equivalent of a $.25 tax rate per $100 of market value of taxable property for the State as a whole. Thus the local fund assignment of each district should be determined by the application of the same rate to the index estimate of the full market value of taxable property in each district. The State share of the Foundation School Program should continue to be guaranteed.

RECOMMENDATION #9

An enrichment program should be established which would guarantee each district $300 per ADA in additional revenue for an additional local tax effort of $.40 per $100 in market value.

For up to the first $100 per ADA of such revenue, the district would levy the equivalent of a tax rate not to exceed $.10 per $100 of the market value of taxable property in the district. Guaranteed state aid would be supplied to those districts unable to raise $100 per ADA by the application of such a rate.

For up to the second $200 per ADA of such revenue, the district would levy the equivalent of a tax rate not to exceed $.30 per $100 of the market value of taxable property in the district. Guaranteed state aid would be supplied to those districts unable to raise $200 per ADA by the application of such a rate.

RECOMMENDATION #10

The basic financial support of the regional service centers should be increased by $1.00 per ADA for a total of $3.00 per ADA.

RECOMMENDATION #11

The computer services allocation for regional service centers should be incorporated under a broader allocation for information services, including financial support for computer processing on a statewide network, the development of a common core of educational data, the provision of communication services, the provision of technical assistance services, and central administration.

RECOMMENDATION #12

Any revision in present school finance formulas should be phased in over a four year period beginning in 1975-76. The full plan would be operational in 1978-79.

ESTIMATED STATE AND LOCAL COST UNDER
THE RECOMMENDED PLAN, 1978-79
(cost in millions)

	Foundation School Program	Enrichment	Total
State Funds	$1,984	$160	$2,144
Local Funds	467	430	897
Total Funds	$2,451	$590	$3,041

If the information on the market value of taxable property is not available, the alternative plan presented in this report would have the effect of increasing present commitments of state funds for 1978-79 by a total of $864 million compared to the recommended plan amount of $661 million.

ATTACHMENT B

PUBLIC SCHOOL REVENUE SYSTEM RECOMMENDATIONS
OF THE TEXAS ADVISORY COMMISSION
ON INTERGOVERNMENTAL RELATIONS
(Adopted November 8, 1974)

SCHOOL FINANCE BRIEFER

November 25, 1974

PUBLIC SCHOOL REVENUE SYSTEM RECOMMENDATIONS
OF THE TEXAS ADVISORY COMMISSION
ON INTERGOVERNMENTAL RELATIONS
(Adopted November 8, 1974)

Designing a New School Revenue System

1. The property tax should be retained as the source of local share funding for the Foundation School Program, with a local share rate equal to the statewide average effective maintenance tax rate (on market value of property) at the time of adoption of a new school finance plan.

2. The tax required for the local share of the Foundation School Program should be levied on a countywide basis, with the proceeds distributed among districts within each county on a per-student basis; and a corresponding reduction should be made in local district taxing authority.

3. Local tax increases required by setting the local share tax at the statewide average effective tax rate should be phased in over a period of three years with the interim higher costs to the state underwritten from the 1974-1975 biennium surplus.

4. The state should ensure with state funds that local district taxes levied for enrichment above the Foundation School Program level will produce an equal amount of revenue per student from state and local sources for the same local tax effort.

5. Those statutes that dedicate a portion of the proceeds of certain taxes to public education should be amended to provide that the dedicated proceeds shall be deposited in the Foundation School Fund.

A New Yardstick of Local Ability

6. A state agency should be made responsible for estimating the total market value of property in each county and school district.

7. The state should enact a statute providing for the collection of parcel and sales information on real estate transfers.

Essential Property Tax Reforms

8. The State Constitution should be amended to make the ad valorem tax base consist of real and tangible personal property (except household goods not used in the production of income). The Legislature should enact an anticipatory statute exempting intangibles (except bank stock) from local taxation.

9. In order to achieve more equal taxation among owners of all types of property, the Legislature should enact a state tax on intangibles.

10. The State Constitution should be amended to permit the valuation of agricultural (including timber) lands by the income capitalization (or productivity) approach. The Legislature should enact an anticipatory statute to implement the changes.

11. The statutes should be amended to require that motor vehicle registration forms show the school district residence of vehicle owners.

12. The statutes should be amended to provide uniform methods for valuing business personalty and to require the submission of standardized rendition forms.

13. The counties should be made responsible for countywide appraisal of property for local school tax purposes, and local districts should be required to use these appraisals. The cost and expenses of appraisals are to be allocated among the taxing authorities in the manner prescribed by general law.

14. A state agency should be empowered to administer a technical assistance program for county property tax assessment offices, and state standards and guidelines should be established for county tax offices.

15. The State Constitution should be amended to delete the requirement that county commissioners courts act as boards of equalization. The Legislature should enact an anticipatory statute.

ATTACHMENT C

RECOMMENDATIONS OF THE
INTERIM SUBCOMMITTEE ON PUBLIC SCHOOL FINANCE
November 18, 1974

SCHOOL FINANCE BRIEFER

November 25, 1974

CHAPTER VI

Recommendations of the Interim Subcommittee on Public School Finance

On Monday, November 18, the subcommittee held its final hearing in Austin. At this hearing the subcommittee discussed the seven school finance issues outlined in Chapter V of this report and made recommendations of its own which it urges the Committee of 24 to adopt as part of its final report to the 64th Legislature.

The subcommittee decided at the outset of its discussion that it would not make specific recommendations as to the technicalities of implementing the school finance concepts which it favors. Rather, the members of the subcommittee expressed their belief that the role of this subcommittee, and indeed the role of the Committee of 24, should be to encourage the decision making process with regard to restructuring the public school finance system in Texas.

To do this, the subcommittee made recommendations on basic school finance concepts which it believes should be included in the finance plan adopted by the 64th Legislature. In addition to offering recommendations concerning the seven issues outlined in Chapter V, the subcommittee unanimously adopted the following three recommendations:

Recommendation #1

The subcommittee recommends that no effort be spared in designing and enacting a new school finance plan for Texas in the 64th session of the legislature.

Recommendation #2

The subcommittee urges the 64th and all future legislatures to provide adequate funding for any new or modified educational program which they may mandate.

Recommendation #3

The subcommittee urges the 64th and all future legislatures to provide local school districts with adequate planning and preparation time prior to the effective date upon which new or modified educational programs are required to be implemented.

* * *

The subcommittee turned to the specific school finance issues outlined in Chapter V of this report and offered the following recommendations:

I. THE FUND ALLOCATION FORMULA:

Recommendation #4

The weighted pupil concept, which recognizes the financial needs of school districts in terms of the educational needs of individual students, should be utilized in the fund allocation formula of any new school finance proposal designed and enacted for Texas.

II. THE TAXATION COMPONENT OF THE SCHOOL FINANCE EQUATION

Recommendation #5

The legislature should adopt a system for the determination of estimates of the market value of taxable property in each school district in the state for the establishment of an index of such values for the 1975-76 and 1976-77 school years to be utilized for distribution of state funds.

Recommendation #6

1. Single, county-wide authorities, should be made responsible for county-wide appraisal of property for local tax purposes and local districts should be required to use these appraisals.

2. State standards and guidelines should be established for county-wide appraisal authorities.

3. The State Comptroller should be made responsible for estimating the total market value of property in each county and school district.

III. AN ACCOUNTABILITY SYSTEM

Recommendation #7

A quality comprehensive foundation program should provide that each school district adopt an accountability program that provides for needs assessment, programed budgeting, management by objective and program and personnel evaluation. Implementation of an accountability system should be delegated primarily to the Texas Education Agency.

IV. TEACHER SALARIES:

The subcommittee recognized that teacher salaries are a matter of top concern and importance but decided, because of the lack of input received by the committee in regard to the teacher salary question, that it would not make any specific recommendations on this matter.

V. AN ENRICHMENT PROGRAM:

Recommendation #8

The state should ensure with state funds that local district taxes levied for enrichment above the Foundation Program level will produce an equal amount of revenue per student from state and local sources for the same local tax effort. A maximum level of enrichment should be established.

VI. TRANSPORTATION FUNDING:

Recommendation #9

The subcommittee recommends that transportation funds be made available in accordance with a delivery model that would:

1. Distribute additional funds for school transportation in a manner that most nearly approximates reasonable expenditures.

2. Recognize the diversity of Texas' geography and demography by developing a formula that takes into account the various special problems in Texas, including urban factors, court orders, and other local needs.

3. Allow more flexibility to local districts in the determination of their transportation systems.

4. Recognize differing costs among the school districts.

5. Empower the State Board of Education to approve, on an individual district application basis, additional funding to meet the special local needs.

6. Provide the framework for continual updating of the model.

VII. EMERGENCY FUNDING:

Recommendation #10

The subcommittee recommends a one-time-only appropriation of $80 million for the 1974-75 school year. This money is to be distributed to the local districts on the basis of $40 per pupil in ADA and each local school district is to receive a percentage that $40 per pupil equal to the percentage of state funds received under the Minimum Foundation Program.

Upon completion of its discussion and decision-making concerning the above ten recommendations, the subcommittee voted unamiously to approve the entire set of recommendations as well as the other information contained in this report and to urge the Committee of 24 that it include this subcommittee report as a portion of its final recommendations to the 64th Legislature.

* * *

ATTACHMENT D

Legislative Property Tax Committee
Newsletter
(excerpt)

October, 1974

SCHOOL FINANCE BRIEFER

November 25, 1974

SCHOOL DISTRICT MARKET VALUE STUDY

> "It is the purpose and intent of the Legislative Property Tax Committee to conduct a pilot project in approximately 35 representative randomly selected Texas school districts..."

Thirty-five school districts were selected on April 22 using computerized random number procedures. Witnesses from the Governor's Office, the Education Agency and the Committee were present. Documentation of selection methodology is available.

In keeping with the concept of a pilot project, the focus of the study will be on the 35 districts as representative of the State as a whole rather than as individual entities. The random selection process was designed accordingly. From each of five geographic divisions of the State, one district was picked from each of seven ranges of student population. In other words, each district selected represents one of 35 unique combinations of geographic area and student population. Discrepancies in value and other assessment problems observed are thus expected to be representative and will be reported in terms designed to be instructive to State and local officials generally.

> "... that will provide ...a highly reliable, thoroughly documented and fully defensible study..."

CBM's assignment is to deliver the best quality possible within the existing time-money constraints. Current plans are to limit errors in the estimate of total value by district to 15% at the 90% confidence interval, i.e., to produce estimates such that there is a 90% chance that the true value will be within 15% of the estimated value.

Rigorous concepts of value have been adopted, and advanced statistical and computer technology will be used. All findings presented in the final report will be supported by documentation of data sources, procedures, and statistical reliability. Every effort will be made to accurately define both the results and the limitations of the project. No previous study of tax values in Texas has used comparable technology or offered such documentation, with the possible exception of isolated local efforts.

CBM will be required to demonstrate and defend the soundness of their methodology and the results of the study as a whole. In keeping with accepted sampling technology, property value estimates will be defensible in the aggregate but not necessarily on a parcel-by-parcel basis.

> "...consistent with and responsive to the mandates of Senate Bill 414 62nd Legislature, and Senate Concurrent Resolution 89, 63rd Legislature..."

The most immediate and obvious application of project findings has to do with the development of a market value index for school aid distribution. Nevertheless, the Committee's primary purpose in conducting the project is to help bring about improvement in assessment administration.

ATTACHMENT E

Program Cost Differential Indices and Costs per FTE Student
from
Texas Education Agency
Program Cost Differential Study
of Forty-one Texas School Districts (1972-73)
for the Governor's Office of Educational Research and Planning
and Senate Education Committee

School Finance-Special Projects
Texas Education Agency
November, 1974

SCHOOL FINANCE BRIEFER

November 25, 1974

METHODS OF COMPUTATION

The primary result of the Texas Education Agency Program Cost Differential Study was the development of a series of costs per full-time equivalent (FTE)* student and related cost differential indices (i.e., "weights") for forty-one exemplary Texas school districts selected by the Governor's Office of Educational Research and Planning. This information is presented in Table I and reflects the three different methods used to calculate costs per FTE and cost indices. The three methods of calculation used resulted in the computation of a weighted mean of all districts in the study, a district unweighted mean, and a strata unweighted mean. Each of these methods will be described briefly below to assist the reader to understand the information in Table I.

A weighted mean approach provided a set of cost differentials based upon the relative number of students and amount of program cost among the forty-one districts. Districts with large numbers of students and higher costs influence the cost differentials more than small districts. Two unweighted mean approaches - a district unweighted mean and a strata unweighted mean - were also used since the study was a study of exemplary district practice and because districts selected for the study were stratified according to six categories of community type. Using these two methods helped to remove the bias created by size of district and program costs. The unweighted mean approach probably represents the most descriptive interpretation of the data.

Weighted Mean Method. For each program aggregated total costs of the program were divided by the aggregated total number of FTE students in the program to arrive at a weighted cost per FTE for the program. For example, the total cost of kindergarten for the thirty-eight districts offering this program was $13,697,401; the number of FTE students served was 22,887. Program costs divided by number of FTE students served produced a weighted mean cost per FTE of $598. Or, the aggregated total cost of elementary was $312,163 and the number of FTE students served, or a weighted mean cost per FTE of $578.

The costs per FTE were then converted to a cost differential index which was keyed to the elementary cost per FTE ($578) being assigned a value of 1.00 and was computed by dividing the cost per FTE of each program by the cost per FTE of elementary. For example, the index for kindergarten is 1.04, which was computed by dividing the cost per FTE of kindergarten ($598) by the cost for elementary ($578).

District Unweighted Mean Method. The cost differentials in the "(district) cost index" column for each program were determined by adding together the individual program weights of the districts in the forty-one district sample and dividing by the number of districts offering the program. For example, the cost index for vocational agriculture of 2.63 was calculated by adding the cost indices of the 31 districts offering this program and dividing by 31. In this method each district affected the calculation equally.

The cost per FTE for elementary of $630 was determined by adding the weighted mean costs per FTE for all forty-one districts and dividing by 41. The cost indices for all other programs were multiplied by this cost per FTE for elementary in order to derive costs per FTE for all other programs, thus indicating the impact of the cost differential index in terms of costs per FTE.

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*A "full-time equivalent" (FTE) student is defined statistically as a student who spends all of this time in a program. To determine the number of FTE students it is necessary to have both the number of participating students and the amount of time spent in a program.

Strata Unweighted Mean Method. The districts which were selected for this study represented six strata or types of school districts. Using a strata unweighted mean method, the cost index for each stratum in which a district offered the program involved was summed and divided by the total number of strata providing the program. For example, the cost index for vocational agriculture of 2.46 was calculated by adding the cost indices of the six strata offering this program and dividing by six. Under this method, each stratum affected the calculation equally. The differentials among districts within a stratum perhaps creates a bias in this approach.

The determination of the cost per FTE student for the elementary program of $592 was determined by summing the costs per elementary FTE student for each of the six strata and dividing by six. The remainder of the calculation was identical to that of the district unweighted mean method.

TABLE I

TEXAS EDUCATION AGENCY PROGRAM COST DIFFERENTIALS STUDY FOR SELECTED SCHOOL DISTRICTS, 1972-73

CALCULATION OF EDUCATIONAL PROGRAM COSTS PER FTE STUDENT AND COST INDICES FOR ALL SAMPLE DISTRICTS

PROGRAM	BASIC DATA			WEIGHTED MEAN METHOD		UNWEIGHTED MEAN METHOD (DISTRICT)*		(STRATA)	
	NUMBER OF DISTRICTS	STUDENTS (FTE)	PROGRAM COST (000)	COST/ FTE	COST INDEX (ELEM=1.00)	COST/ FTE	COST INDEX (ELEM=1.00)	COST/ FTE	COST INDEX (ELEM=1.00)
REGULAR PROGRAM									
Kindergarten	37	22,887	$ 13,697	$ 598	1.04	$ 812	1.29	$ 682	1.15
Elementary	41	541,163	312,758	578	1.00	630	1.00	592	1.00
Junior High	41	239,662	142,556	595	1.03	654	1.04	620	1.05
Senior High.	41	237,418	153,503	647	1.12	723	1.15	687	1.16
VOCATIONAL EDUCATION									
Agriculture	31	1,023	1,477	1,443	2.50	1,656	2.63	1,455	2.46
Distributive	36	4,597	3,221	701	1.21	790	1.25	671	1.13
Health	14	830	571	688	1.19	864	1.37	1,005	1.70
Homemaking-Useful	39	10,406	8,90[illegible]	855	1.48	1,152	1.83	995	1.68
Homemaking-Gainful	25	2,774	2,124	766	1.32	813	1.29	713	1.21
Office	33	3,334	3,398	1,019	1.76	1,164	1.85	1,042	1.76
Industrial	37	9,410	10,718	1,139	1.97	1,251	1.98	1,155	1.95
Occupational Orientation	3	257	375	1,461	2.53	1,193	1.89	1,462	2.47
SPECIAL EDUCATION									
Visually Handicapped	15	239	605	2,532	4.38	2,895	4.59	2,552	4.31
Orthopedically Handicapped	29	3,411	4,714	1,382	2.39	3,094	4.91	1,401	2.37
Minimally Brain Injured	28	4,068	6,902	1,697	2.94	2,120	3.36	1,691	2.86
Auditorially Handicapped	21	1,479	2,976	2,013	3.48	2,271	3.60	2,289	3.87
Educable Mentally Retarded	38	11,040	18,050	1,635	2.83	2,216	3.52	1,846	3.12
Trainable Mentally Retarded	31	3,794	4,871	1,284	2.22	1,677	2.66	1,550	2.62
Speech Handicapped	35	1,765	6,093	3,452	5.97	3,941	6.25	3,198	5.41
Language & Learning Disability	28	6,865	10,962	1,597	2.76	2,932	4.65	2,166	3.66
Pregnant Students	19	2,066	1,538	745	1.29	1,323	2.10	1,098	1.86
Emotionally Disturbed	24	2,713	4,086	1,506	2.61	2,401	3.81	1,777	3.00
TOTAL REGULAR	41	1,041,130	622,514	598	1.03	658	1.04	623	1.05
TOTAL VOCATIONAL EDUCATION	41	32,631	30,783	943	1.63	1,129	1.79	1,010	1.71
TOTAL SPECIAL EDUCATION	38	37,440	60,800	1,624	2.81	2,038	3.23	1,887	3.19
GRAND TOTAL	41	1,111,202	714,098	643	1.11	717	1.14	676	1.14

* Recommended Interpretation

ATTACHMENT F

An Analysis of State Supported Program Costs and Professional Salary Data in Estimates and Projections

School Finance-Special Projects Section
Texas Education Agency
November, 1974

SCHOOL FINANCE BRIEFER

November 25, 1974

AN ANALYSIS OF THE STATE SUPPORTED PROGRAM COSTS AND PROFESSIONAL SALARY DATA

School Finance-Special Projects
Texas Education Agency
November, 1974

STATE SUPPORTED PROGRAM COSTS - 1972-73 School Year

State supported program costs fall within three categories -- the regular Foundation School Program, special programs under the Foundation School Program, and other state supported programs. In 1972-73, these three program categories cost $1,368,697,000 and accounted for 54.1 percent of the grand total cost of education.

The bulk of state supported program costs ($1,203,661,000 in 1972-73) are within the regular Foundation School Program. These costs are shared on an 80 percent state, 20 percent local basis, and are automatically financed. The total level of funding is contingent upon a series of personnel, operating cost, and transportation cost allocation formulas, along with the minimum salary schedule and State Board of Education policies regarding vocational and special education.

Salaries of professional personnel (including personnel allotted under vocational and special education policies) accounted for $1,057,913,000, or 88 percent of regular Foundation School Program costs. Maintenance and operating allowances cost $79,423,000, or 6.6 percent of total cost. Teacher aides cost $22,067,000, and regular and special education transportation cost $28,462,000. The remaining $15,796,000 was divided among other special education programs, vocational contract services, and Texas Education Agency administration.

There are ten special programs within the Foundation Program, the costs of which are met entirely out of state funds. In 1972-73, these programs cost $21,118,000. Some of these programs are automatically financed, while others depend upon the appropriations bill for funding.

The remaining state supported program costs are outside of the Foundation School Program and completely state funded. Certain of these costs, including textbooks and teacher retirement are automatically funded, but supplemental salary aid and several other programs depend upon the general appropriations bill. In 1972-73, state supported costs outside of the Foundation School Program amounted to $143,918,000.

TRENDS IN STATE SUPPORTED PROGRAM COST - 1957-1975

The cost of the regular Foundation School Program (including vocational and special education) has increased from $293,572,000 in 1957 to $1,224,779,000 in 1972-73. The estimated cost of the Foundation School Program for the current 1974-75 school year is $1,458,473,000. Growth in the student population, growth of special and vocational education programs, and increases in minimum salaries have been the major factors behind the 300 percent increase over the past sixteen years.

The addition of teacher aides, growth in maintenance and operation and transportation allotments, and the addition of special programs have also had an impact on the overall growth of state supported program costs. Teacher aides were first included within the Foundation School Program in 1970-71, at a cost of $15,888,000. The cost of aides increased to $22,067,000 in 1972-73. The basic maintenance and operating allowance of $660 per teacher has not been changed since 1969. Increases in this cost category have therefore been in response to increases in teachers and to the addition of operating allowances for vocational education and special education. Transportation allotments have shown relatively little increase; 63 percent since 1957, and by 29 percent since 1962, with virtually all of the increase since 1962 occurring in 1971 as a result of a 20 percent increase in the formula.

State program cost as a percentage of total expenditures for education was approximately the same in 1972-73 (54.1 percent) as it was in 1956-57 (52.4 percent). In the years between, this percentage increased with very substantial increase in state aid, but decreased in subsequent years as local expenditures increased. For example, this percentage decreased from 53.1 percent in 1967-68 to 50 percent in 1968-69, but increased to 55.7 percent in 1970-71 with the passage of a new education bill. In 1971-72, this percentage decreased to 54.8 percent. Estimates for the 1972-73, 1973-74, and 1974-75 school years foretell a leveling off of this percentage at around 54.1 percent.

The special programs have all been instituted since 1957. In 1962, $1,004,000 was allotted for these programs, which then included pre-school Non-English speaking, pre-school deaf, and day schools for the deaf. In 1968, $4,306,000 was allotted, including funding for regional media centers, educational TV, and incentive aid. In 1970, $5,426,000 was allotted. In 1971, sick leave, computer services, and student teaching were added to the list of these programs, bringing their total cost to $15,013,000. In 1972-73, additional state support for regional educational service centers was provided, bringing the total cost of $21,118,000. The estimated cost of these programs for the current 1974-75 school year is $25,222,000.

SALARY TRENDS

Professional salaries have increased at an average annual rate of 6.5 percent since 1966. These increases have not been at a steady rate, however, but have

been largely in response to increases in Foundation School Program salaries. For example, in 1968, average Foundation salaries increased by 9.9 percent and average professional salaries increased by 11.3 percent. The next year, average Foundation salaries actually decreased slightly, and average professional salaries increased by 1.2 percent.

Several factors may explain these variations. First, large increases in average professional salaries occur as a result of the legislature increasing the minimum salary. For example, the 1969 legislation was followed the next year by a 14.1 percent increase in the average Foundation School Program salary and an 11.1 percent increase in the average professional salary. Second, the average salary is seriously affected by the education and years of experience of teachers. Between 1967-68 and 1968-69, average Foundation School Program salary decreased and the average professional salary stayed the same. This indicates that a number of teachers may have left the profession at that time, since Foundation salaries are based on education and years of experience.

ATTACHMENT G

ATTORNEY GENERAL'S OPINION
Re: The Obligation of the Commissioner of Education
to Equalize Assessment Ratios in the
County Economic Index Formula
November 12, 1974

SCHOOL FINANCE BRIEFER

November 25, 1974

THE ATTORNEY GENERAL OF TEXAS

AUSTIN, TEXAS 78711

JOHN L. HILL
ATTORNEY GENERAL

November 12, 1974

The Honorable Marlin Brockette
Commissioner of Education
Texas Education Agency
210 East 11th Street
Austin, Texas 78701

Opinion No. H- 448

Re: The obligation of the Commissioner of Education to equalize assessment ratios before using them in the county economic index formula.

Dear Dr. Brockette:

You have asked our opinion on two questions which are:

1. In calculating the economic index, should this office require each county's tax assessor to report, along with the assessed valuations of the county, the percentage of market value used in determining the assessed values reported?

2. If you have answered the above question in the affirmative, should this office use such information in computing the county economic index to achieve equality and uniformity of property values of each county as compared with every other county?

Similar questions were among several issues presented in Fort Worth Independent School District, et al v. Edgar, et al., Civil Action 4-1405 (N. D. Tex., Fort Worth Division). That case was filed in 1970, and a three judge court was appointed. Plaintiffs in that case were the Fort Worth, Dallas, and Houston Independent School Districts along with taxpayers and students from each district. Allocation of funds under the minimum foundation program (hereafter MFP) was attacked on several grounds including the use of property assessments at less than full market value in determining the county economic index, which is the issue raised in your two questions.

This office represented the defendants in the suit and asserted several defenses. These defenses included a challenge to the standing of the plaintiffs to litigate the issues presented in the case. During the course of the litigation the United States Supreme Court issued its opinion in San Antonio Independent School District v. Rodriguez, 411 U.S. 1 (1973). Rodriguez had the effect of deciding substantial portions of the Fort Worth lawsuit in a manner adverse to the plaintiffs' claim. In the latter part of 1973 the Fort Worth litigation was voluntarily dismissed. Subsequently, your predecessor, who was a defendant in the lawsuit, submitted these two inquiries to this office for an opinion to be issued in our quasi-judicial role under Article 4399, V. T. C. S.

The present questions were not before the Supreme Court in Rodriguez. The contentions in that case centered on the inter-district disparities in per-pupil expenditures caused by the variations in different school districts' ad valorem tax bases. Although the Court recognized that assessment practices in Texas are not uniform, there is no indication that it considered the effect of the use of non-equalized assessments in determination of the county economic index. Rodriguez, supra, at p. 46, n. 100.

Your two questions are substantially narrower than those raised by Rodriguez or by Fort Worth Independent School District. They relate solely to the figures employed in calculating one factor which is used in determining the county economic index.

It is unnecessary to set out the details of the highly complex MFP in this opinion. It will suffice to say that the economic index for each county is determined from a formula spelled out in Sec. 16.74, Texas Education Code. Its application is a major factor in the determination of each district's local fund assignment, which is the amount a district is required to contribute as its share of the MFP. Although the local fund assignment ultimately computed for a given district may be affected by various statutory credits and adjustments not germane to this request, the amount of state aid received generally corresponds to the economic index calculated for the county in which the district lies. If the economic index is high, the local fund assignment will be high, and the amount of state aid received under the MFP will be low. On the other hand, if the economic index is low, the local fund assignment will be low, and the amount of state aid received will be high.

The economic index for each county is based on three weighted factors. Income for the county is measured by value added by manufacture, value of minerals and agricultural products, and the total of payrolls for retail, wholesale and service establishments. This factor is weighted by 72. The scholastic population of the county is weighted by 8, and the assessed property valuation of the county is weighted by 20.

You indicate that:

> It is common knowledge that many county tax assessor-collectors in this state customarily assess property subject to ad valorem taxes at less than 100% market value, and that there is a wide variation from county to county in the assessment ratios used (see Governor's Committee Report on School Financing--1967). Some school districts contend that the disparity in the assessments by the county tax assessor-collector vary from 3% to 100% of fair market value.

The practical effect of assessment at a low percentage of market value is a low economic index and a resultant high amount of state aid under the MFP.

Your first inquiry concerns your ability to obtain information from tax assessors on the assessment ratio employed in their counties.

Section 16.79(a) of the Education Code imposes the duty on the State Board of Education and the Commissioner "to take such action, require such reports, and make such rules and regulations consistent with the terms of this chapter as may be necessary to carry out its provisions." (Emphasis added)

Three Attorney General Opinions have been addressed to similar points. Attorney General Opinion V-1195 (1951) construed Article 2922-16, Sec. 3, V.T.C.S. [now Sec. 16.74, Education Code] and held that in adjusting a county's economic index to reflect a sudden and marked decline in economic activity, the Commissioner was free to consider information from sources other than those listed in the statute if the information was not reflected in the statutorily designated source. The Opinion stated that, "unless the Commissioner can look to other reliable sources of information, it might not be possible to compute an index accurately indicating the taxpaying ability of each county."

Attorney General Opinion WW-452 (1958) said that the various sources of information then being used by the Commissioner to obtain the necessary data for the computation of the index were not exclusive. The only statutory requirement was that the information be taken " 'from the most recently available official publications and reports of agencies of the State of Texas or the Federal Government.' "

Attorney General Opinion M-262 (1968) discussed adjustments made by the State Board of Education to reflect changes in economic activity. That opinion indicated that:

> In computing the economic index . . . the Board is confined to data taken from the most recently available official publications and reports of Federal and State agencies. Although being thusly confined, it is the opinion of this office that the Board may consider any official State or Federal publications or reports; and if the Board deems it proper or necessary in considering the question of an adjustment, it has the authority to arrange for and make available to itself other and further such official reports and publications as it may deem necessary in order to properly and wisely make its decisions. This same principle is true with regard to the compilation of economic indices in the future. (Emphasis in original)

It appears well settled that the commissioner has the authority to require any official report he may deem necessary for the proper performance of his statutory functions. If he is permitted or required to utilize values which have been corrected to offset fractional assessment practices, it seems clear to us that he can require tax assessors to report the percentage of market value that has been used in arriving at the assessed property values reported.

Your second inquiry is whether the Commissioner should utilize such information in computing the county economic index to reflect equal and uniform property assessment ratios among the state's 254 counties. In answering this question it is important to recognize that if differing percentages of valuation are employed from county to county in determining assessed property valuation to be reported to the Commissioner, the

inevitable result is to distort calculation of the county economic index in favor of those counties using lower assessment percentages unless these assessed values are adjusted to reflect an equal standard of assessment.

One of the basic rules of statutory construction is that a statute should be construed in a manner that will sustain its constitutionality unless the plain import of its provisions renders such an interpretation impossible. State v. Shoppers World, Inc., 380 S. W. 2d 107 (Tex. 1964); Newsom v. State, 372 S. W. 2d 681 (Tex. Crim. 1963); McKinney v. Blankenship, 282 S. W. 2d 691 (Tex. 1955). A recent federal case, Levy v. Parker, 346 F. Supp. 897 (E. D. La. 1972) (3 judge court) aff'd. mem., 411 U.S. 978 (1973), involved questions which are very similar to those presented in your inquiry and has established the constitutional limits within which we must construe your statutory duties in computing the county economic index. It should be noted that the affirmance of Levy by the United States Supreme Court came subsequent to that court's Rodriguez decision and that the case was not presented to the three judge court in the plaintiff's brief in the Fort Worth case.

The question in Levy involved a state revenue sharing scheme designed to reimburse parishes for the cost of a homestead tax exemption provided in the state constitution. Reimbursement by the state was proportionate to the parishes' tax or millage rates.

In Louisiana, as elsewhere, property tax revenue is a function of the assessed value of property and the rate of tax. Thus, a parish faced with local requirements for a certain amount of tax revenue benefited most from the homestead reimbursement provisions by minimizing assessments and maximizing its millage rates. The Texas MFP formula works in essentially the same manner since the lower the assessed value the higher the amount of state aid under the MFP. In Louisiana constitutional and statutory limitations effectively precluded some parishes from raising their tax rates and thus qualifying for higher rebates. Likewise, county tax rates in Texas are limited, e.g., Article VIII, Section 9, Texas Constitution. When a county reaches the maximum tax rate it must assess property at a higher

percentage of true value if it is to generate more revenue. A county which is relatively poor in value of taxable property will be required to reach its maximum tax rate sooner than a relatively rich county and will then be required to increase its assessment rate if it is to raise more tax money. Thus, the poorer a county is the less able it is to manipulate its assessment ratio to generate larger amounts of state aid for its school districts. Conversely, the richer the county, the more able it is to adjust its assessment ratio.

In discussing the Louisiana plan the federal court observed:

> . . . The millage-times-assessment-any-basis-you-choose formula for distributing state funds is, in a word, arbitrary. It establishes a rule for distributing state funds that is no rule at all.
>
> . . .
>
> No reason has been advanced, nor any governmental policy argued, that would support the reimbursement of each Louisiana parish on the basis now in effect. It has not been suggested that the amounts now being paid to any parish are based on its real loss of revenue resulting from the homestead exemption, or on state policy based on any rational geographical or demographic classification, or on any other basis that might constitute coherent governmental policy. Levy v. Parker, supra, at 903-904.

The court accordingly held the Louisiana rebate system unconstitutional.

Given the Levy precedent, we believe the use of unequalized assessment values in determination of the county economic index for purposes of the MFP presents constitutional problems. See, Weissinger v. Boswell, 330 F. Supp. 615 (M. D. Ala. 1971); Yudof, The Property Tax in Texas Under State and Federal Law, 51 Texas Law Review 885 (1973).

In construing the statute we are required to be guided by the intent of the Legislature while at the same time giving the statute an interpretation most calculated to sustain its constitutionality.

We believe the language of the statute is consistent with a construction which will avoid constitutional pitfalls. For example, in actually levying the maintenance taxes from which local fund assignments are paid, all school districts except common school districts are free under Sec. 20.03 Texas Education Code, to assess property "on any basis authorized or permitted by any applicable law," including Title 28, V. T. C. S., applicable to cities and towns, which permits fractional assessment. It may have been to avoid varying fractional assessments bearing no relation to local taxpaying ability that the Legislature selected for inclusion in the MFP's economic index formula valuations by the county --a taxing jursidiction theoretically required to assess at 100% of market value and forbidden from adopting "a lower or different standard of value" (Articles 7149, 7174, V. T. C. S.), although in actual practice lesser values were used. See e.g., Lively v. Missouri, Kansas and Texas Railway Co., 120 S. W. 852 (Tex. 1909); Robertson v. Connecticut General Life Insurance Co., 140 S. W. 2d 936 (Tex. Civ. App. --Waco 1940, no writ). Also, use of the largest tax assessing unit, the county, rather than the multitude of school districts in the state is more consistent with a program based on equalized and standardized effort. County assessments if performed according to the common standards thus prescribed, would afford a far more accurate means of comparing local fiscal capacities than would the assessments actually made by districts pursuant to Sec. 20.03. Moreover, such county assessments would better serve the basic intent of the MFP financing provisions, which is to determine local contributions to the program on the basis of relative taxpaying ability. Further support for the view that there was an intent to prescribe a common valuation standard appears in the valuation reporting provision of Sec. 16.77(a), the formula for determining district local fund assignments in Sec. 16.76(a) and the maintenance tax credit provisions of Sec. 16.76(e), all of which are tied to the county valuation standard.

Additional aid to construction is found in the basic purpose of the MFP itself, which is to assure an equal minimum educational opportunity for each school-aged child by providing state aid in compensation for variations in local taxpaying ability. The program is to be financed in

part by an "equalized, local school district effort" (Sec. 16.71) assigned to each district "according to its taxpaying ability" (Sec. 16.73). The manner of adjustment presented in your second question would plainly further this purpose.

Therefore, we answer both of your questions in the affirmative. The Commissioner should require counties to report the percentage of true value at which they assess property. He should then utilize the information received from the counties in computing the Minimum Foundation Program county economic index. Your questions are phrased narrowly, and it has not been necessary to consider the legality or propriety of county tax assessors assessing property at a fraction of its full value or their determination of what constitutes taxable property.

Our function essentially is to predict the resolution of a question which would be reached were it presented to a court. Our courts possess broad powers of equity and often utilize their equitable discretion to grant stays, to allow phased implementation of an order or to permit other means of ameliorating the effect of its decisions. At least one provision of the Education Code is designed to lessen the effect of any sudden shifts in the factors constituting the county economic index. Section 16.74(c) of the Education Code provides that the index is to be computed from a three-year average of data. Although a court's order conceivably could require full market value assessment figures to be used in figures for all three years used in computing the index for the coming school year, we believe that utilization of the corrected figures for the current year and following years would be within the equitable discretion of a court. Under such an arrangement some effect of the corrected data would be felt immediately but the full effect would not be realized until the third year.

SUMMARY

The Commissioner of Education should require each county's tax assessor to report the percentage of market value used in determining the assessed

value of property in that county. The Commissioner should use this information in computing the county economic index to achieve uniformity of property values of each county as compared with every other county.

Very truly yours,

John L. Hill

JOHN L. HILL
Attorney General of Texas

APPROVED:

LARRY F. YORK, First Assistant

DAVID M. KENDALL, Chairman
Opinion Committee

ATTACHMENT H

Prepublication Release:
Selected Fiscal Data for Public
Elementary and Secondary Education
U. S. Department of Health, Education, and Welfare
September, 1974

SCHOOL FINANCE BRIEFER

November 25, 1974

Table 1.--Current expenditures of local school districts and expenditures per pupil, for public elementary and secondary education, by revenue source and by State or other area: United States, 1972-73

State or other area	Total current expenditures		Revenue from Federal sources			Revenue from State and local sources		
	Thousands of dollars	Dollars per pupil	Thousands of dollars	Dollars per pupil	Percent of total	Thousands of dollars	Dollars per pupil	Percent of total
1	2	3	4	5	6	7	8	9
50 States and D.C.	$44,789,301	$1,062	$3,951,093	$ 94	8.8	$40,838,208	$ 968	91.2
Alabama	521,575	708	97,467	132	18.7	424,108	576	81.3
Alaska	135,233	1,733	32,533	417	24.1	102,700	1,316	75.9
Arizona	397,382	900	38,041	86	9.6	359,341	814	90.4
Arkansas	288,867	703	49,446	120	17.1	239,421	583	82.9
California	4,729,446	1,042	456,423	101	9.7	4,273,023	941	90.3
Colorado	521,088	976	40,054	75	7.7	481,034	901	92.3
Connecticut	760,784	1,227	47,700	77	6.3	713,084	1,150	93.7
Delaware	152,721	1,238	12,145	98	8.0	140,576	1,140	92.0
District of Columbia	178,018	1,519	72,069	615	40.5	105,949	904	59.5
Florida	1,251,177	913	106,206	77	8.5	1,144,971	836	91.5
Georgia	849,958	858	103,143	104	12.1	746,815	754	87.9
Hawaii	176,355	1,059	21,150	127	12.0	155,203	932	88.0
Idaho	131,450	734	14,912	86	11.3	116,538	658	88.7
Illinois	2,580,302	1,224	171,450	81	6.6	2,408,852	1,143	93.4
Indiana	1,017,424	914	60,330	54	5.9	957,094	860	94.1
Iowa	634,723	1,039	35,365	58	5.6	599,358	981	94.4
Kansas	442,162	982	31,841	71	7.2	410,321	911	92.8
Kentucky	473,077	716	81,106	123	17.1	391,971	593	82.9
Louisiana	699,969	984	98,275	127	14.0	601,694	777	86.0
Maine	196,796	852	17,720	77	9.0	179,076	775	91.0
Maryland	986,187	1,196	83,527	101	8.6	882,660	1,093	91.4
Massachusetts	1,781,083	1,127	69,900	61	5.5	1,211,183	1,066	94.5
Michigan	2,381,548	1,180	151,778	75	6.4	2,279,770	1,105	93.6
Minnesota	1,027,300	1,224	60,662	72	5.9	966,638	1,152	94.1
Mississippi	343,228	699	86,457	176	25.2	256,771	523	74.8
Missouri	838,536	919	82,408	90	9.8	756,128	829	90.2
Montana	159,160	1,002	16,518	104	10.4	142,642	898	89.6
Nebraska	306,116	986	25,749	83	8.4	280,367	903	91.6
Nevada	116,833	963	9,580	79	8.2	107,253	884	91.8
New Hampshire	141,591	897	7,891	50	5.6	133,700	847	94.4
New Jersey	1,905,698	1,410	108,732	80	5.7	1,796,966	1,330	94.3
New Mexico	224,907	874	37,057	144	16.5	187,850	730	83.5
New York	5,429,188	1,757	305,386	99	5.6	5,123,807	1,658	94.4
North Carolina	869,074	812	128,532	120	14.8	740,542	692	85.2
North Dakota	120,387	880	14,289	104	11.9	106,098	776	88.1
Ohio	2,105,382	950	126,957	57	6.0	1,978,425	893	94.0
Oklahoma	439,130	773	54,281	95	12.4	384,849	678	87.6
Oregon	500,151	1,161	37,078	86	7.4	463,073	1,075	92.6
Pennsylvania	2,680,140	1,238	238,993	110	8.9	2,441,147	1,128	91.1
Rhode Island	193,188	1,160	15,700	94	8.1	177,488	1,066	91.9
South Carolina	459,046	795	86,757	150	18.9	372,289	645	81.1
South Dakota	134,691	877	20,233	132	15.0	114,458	745	85.0
Tennessee	597,986	719	73,778	89	12.3	524,208	630	87.7
Texas 1/	1,965,952	787	208,349	83	10.6	1,757,603	704	89.4
Utah	222,871	800	23,797	85	10.7	199,074	715	89.3
Vermont	104,880	1,021	5,603	55	5.3	99,277	966	94.7
Virginia	933,785	947	126,627	129	13.6	807,158	818	86.4
Washington	793,929	1,102	64,170	89	8.1	729,759	1,013	91.9
West Virginia	311,883	815	43,108	113	13.8	268,775	702	86.2
Wisconsin	1,006,353	1,114	42,978	47	4.3	963,425	1,067	95.7
Wyoming	90,593	1,134	6,881	86	7.6	83,712	1,048	92.4
Outlying areas:								
American Samoa	6,128	797	1,743	161	20.3	4,385	635	79.7
Canal Zone	15,995	1,719	15,995	1,219	100.0	—	—	—
Guam	25,353	1,070	5,426	218	21.4	19,926	802	78.6
Puerto Rico	353,734	536	78,494	119	22.2	275,240	417	77.8
Virgin Islands	21,735	1,111	2,590	133	11.9	19,145	986	88.1

1/ Based on estimates by the Texas Education Agency.

Table 2.—Current expenditures at the local level, by major function and by State or other area: United States, 1972-73

(In thousands of dollars)

State or other area	Current expenditures for free public elementary and secondary schools								
	Total	Regular programs by major function							Other services
		Total	Administration	Instruction	Attendance and health services	Transportation services	Plant operation and maintenance	Fixed charges	
1	2	3	4	5	6	7	8	9	10
50 States and D.C.	$44,789,301	$43,128,377	$1,506,960	$30,116,859	$442,880	$1,628,427	$4,689,709	$4,743,542	$1,660,924
Alabama	521,575	463,958	17,636	334,809	11,270	16,219	36,987	34,036	57,617
Alaska	135,233	132,371	6,449	85,995	1,534	6,546	19,016	12,830	2,862
Arizona 1/	397,382	378,857	20,348	280,393	4,151	8,975	44,786	20,204	18,526
Arkansas	288,867	266,619	12,873	185,315	1,225	13,537	25,943	27,726	22,249
California	4,729,448	4,628,248	237,112	3,301,296	33,636	95,552	492,596	368,055	101,200
Colorado	521,088	505,300	17,072	364,607	5,492	15,216	53,907	49,007	15,788
Connecticut	760,784	751,945	22,061	546,053	9,440	29,026	80,332	65,093	8,839
Delaware	152,721	147,773	6,114	99,402	1,923	6,892	17,591	15,851	4,948
District of Columbia	178,018	165,804	8,363	113,153	7,475	5,183	21,431	10,197	12,214
Florida	1,251,177	1,189,473	35,447	883,381	2,501	31,968	126,070	108,111	61,704
Georgia	849,958	785,296	23,412	609,319	4,283	31,926	77,857	48,499	54,662
Hawaii	176,353	165,401	11,226	136,365	1,279	3,373	13,177	(2/)	10,953
Idaho	131,450	126,521	4,862	86,009	523	6,532	14,058	14,537	4,929
Illinois	2,580,302	2,475,714	100,667	1,701,681	34,093	80,255	298,738	260,240	104,588
Indiana	1,017,424	981,839	26,195	680,141	8,737	44,460	122,270	100,036	35,585
Iowa	634,723	603,087	24,387	422,747	4,450	27,122	71,456	52,725	31,636
Kansas	442,162	424,643	16,744	291,538	2,655	16,820	49,113	47,773	17,518
Kentucky 1/	473,077	442,207	11,701	327,742	4,257	23,897	42,087	32,524	30,870
Louisiana	699,989	630,391	36,699	436,640	3,653	41,475	62,191	49,733	69,578
Maine 1/	196,796	188,078	5,859	134,439	962	10,765	20,411	15,632	8,718
Maryland	966,187	936,948	23,816	656,483	11,060	40,707	115,357	89,526	29,239
Massachusetts	1,281,083	1,229,122	43,171	914,906	16,771	53,297	142,915	48,063	51,961
Michigan	2,381,548	2,344,809	74,563	1,575,908	11,476	79,983	276,630	326,249	36,739
Minnesota	1,027,300	994,389	35,216	681,205	9,455	49,657	107,893	110,963	32,911
Mississippi	343,228	304,321	10,703	222,896	2,503	16,892	26,402	25,125	38,707
Missouri	838,536	808,517	28,475	580,982	6,745	38,086	92,642	61,588	30,019
Montana	159,160	153,608	6,028	105,694	643	8,395	17,283	15,565	5,552
Nebraska 1/	306,116	294,560	13,965	208,406	1,673	9,086	35,039	26,411	11,535
Nevada	116,833	114,373	2,397	84,264	836	3,727	13,970	8,979	2,460
New Hampshire	141,591	136,492	4,905	97,932	1,662	6,844	13,975	11,174	5,099
New Jersey	1,905,698	1,844,467	66,739	1,255,470	34,462	63,735	208,272	215,788	61,231
New Mexico 1/	224,907	213,101	6,859	152,169	1,676	9,785	22,651	19,960	11,806
New York	5,429,188	5,294,567	183,195	3,482,932	71,213	269,165	439,534	826,529	134,621
North Carolina	869,074	814,769	21,800	589,786	4,820	28,970	70,048	99,305	54,305
North Dakota	120,387	110,417	4,658	76,136	237	8,202	12,121	9,063	9,970
Ohio	2,105,382	2,053,229	79,174	1,380,028	14,175	59,765	241,977	278,110	52,153
Oklahoma	439,130	411,674	17,152	281,742	2,382	18,045	34,193	38,191	27,456
Oregon	500,151	482,809	16,296	337,992	1,596	19,518	60,295	47,121	17,342
Pennsylvania	2,680,140	2,599,247	98,191	1,816,591	40,695	98,090	304,307	443,372	80,893
Rhode Island	193,188	185,071	6,252	133,436	1,905	7,304	19,424	16,750	8,117
South Carolina	459,046	420,357	12,839	307,932	3,393	10,850	39,673	45,671	38,689
South Dakota	134,491	123,872	5,718	87,238	439	6,694	12,726	10,797	10,819
Tennessee	797,486	767,889	18,836	405,811	3,961	23,935	58,774	56,632	30,097
Texas 3/	1,965,952	1,879,393	93,267	1,312,727	24,120	37,354	211,925	(2/)	86,559
Utah	322,871	211,729	4,104	145,163	1,232	5,381	23,773	32,077	11,142
Vermont 1/	104,880	101,491	4,170	70,643	796	5,335	12,195	8,353	3,388
Virginia	933,785	895,607	21,044	658,818	6,502	36,712	93,939	72,599	38,178
Washington	793,929	776,176	23,908	536,682	13,087	29,266	90,101	83,132	17,752
West Virginia	311,883	293,794	9,408	200,159	2,852	19,538	31,801	30,036	18,088
Wisconsin	1,006,353	980,563	28,099	663,574	6,113	43,660	114,368	124,757	25,790
Wyoming 1/	90,593	87,273	3,588	62,170	688	4,614	9,403	6,810	3,320
Outlying areas:									
American Samoa	5,128	4,916	4/392	4,362	—	163	(4/)	—	1,212
Canal Zone	16,888	16,488	1,157	13,798	—	221	994	719	—
Guam	25,352	24,528	2,549	18,944	41	2,588	207	177	824
Puerto Rico	353,734	302,273	17,473	253,761	2,472	5,226	2,729	20,572	31,501
Virgin Islands	21,735	19,959	892	15,739	345	1,092	1,891	—	1,776

1/ Funds for ESEA reported undistributed by function have been added to instruction.
2/ Data were reported distributed to other functions.
3/ Estimates by the Texas Education Agency.
4/ Expenditures for plant operation are included in expenditures for administration.

Table 3.—Percent distributions of current expenditures of local school districts for regular school programs, by major function and by State or other area: United States, 1972-73

State or other area	Total	Major function					
		Administration	Instruction	Attendance and health services	Transportation service	Plant operation and maintenance	Fixed charges
1	2	3	4	5	6	7	8
50 States and D.C.	100.0	3.5	69.8	1.0	3.8	10.9	11.0
Alabama	100.0	2.7	72.2	2.4	3.3	7.5	11.7
Alaska	100.0	4.9	65.0	1.7	4.9	14.4	9.7
Arizona	100.0	5.4	74.0	1.1	2.4	11.8	5.3
Arkansas	100.0	4.8	69.5	.5	3.1	9.7	10.4
California	100.0	3.0	71.3	.7	2.1	10.6	12.3
Colorado	100.0	3.4	72.1	1.1	3.0	10.7	9.7
Connecticut	100.0	2.9	72.6	1.3	3.9	10.7	8.6
Delaware	100.0	4.1	67.3	1.3	4.7	11.9	10.7
District of Columbia	100.0	5.0	68.3	4.5	3.1	12.9	6.2
Florida	100.0	3.0	74.2	.2	2.7	10.8	9.1
Georgia	100.0	2.9	76.6	.6	4.0	9.8	6.1
Hawaii	100.0	6.8	82.4	.8	2.0	8.0	—
Idaho	100.0	3.8	68.0	.4	3.2	11.1	11.5
Illinois	100.0	4.1	68.7	1.4	3.2	12.1	10.5
Indiana	100.0	2.7	69.3	.9	4.3	12.4	10.2
Iowa	100.0	4.0	70.1	.8	4.5	11.9	8.7
Kansas	100.0	3.9	68.7	.6	4.0	11.6	11.2
Kentucky	100.0	2.6	74.1	1.0	5.4	9.5	7.4
Louisiana	100.0	5.8	69.2	.6	6.6	9.9	7.9
Maine	100.0	3.1	71.5	.5	5.7	10.9	8.3
Maryland	100.0	3.5	70.1	1.2	4.3	12.3	9.6
Massachusetts	100.0	3.5	73.3	1.4	4.3	11.6	3.9
Michigan	100.0	3.2	67.2	.3	3.4	11.8	13.9
Minnesota	100.0	3.5	68.5	1.0	5.0	10.9	11.1
Mississippi	100.0	3.5	73.2	.8	3.5	8.7	8.3
Missouri	100.0	3.5	71.9	.8	4.7	11.5	7.6
Montana	100.0	3.9	68.8	.7	5.5	11.3	10.1
Nebraska	100.0	4.7	70.7	.6	3.1	11.9	9.0
Nevada	100.0	2.3	73.7	.7	3.3	12.2	7.8
New Hampshire	100.0	3.6	71.8	1.2	5.0	10.2	8.2
New Jersey	100.0	3.6	68.1	1.9	3.4	11.3	11.7
New Mexico	100.0	3.2	71.4	.8	4.6	10.6	9.4
New York	100.0	3.5	65.8	1.3	5.1	8.7	15.6
North Carolina	100.0	2.7	72.4	.6	3.5	8.6	12.2
North Dakota	100.0	4.2	69.0	.2	7.4	11.0	8.2
Ohio	100.0	3.9	67.2	.7	3.9	11.8	13.5
Oklahoma	100.0	4.2	68.4	.6	4.4	13.1	9.3
Oregon	100.0	3.4	70.0	.3	4.0	12.5	9.8
Pennsylvania	100.0	3.7	62.2	1.6	3.8	11.7	17.0
Rhode Island	100.0	3.4	72.1	1.0	3.9	10.5	9.1
South Carolina	100.0	3.1	73.2	.8	2.6	9.4	10.9
South Dakota	100.0	4.4	70.4	.4	5.6	10.3	8.7
Tennessee	100.0	3.3	71.5	.7	4.2	10.3	10.0
Texas 1/	100.0	4.9	80.5	1.3	2.0	11.3	(2/)
Utah	100.0	1.9	68.6	.4	2.5	11.2	15.2
Vermont	100.0	4.1	69.6	.8	5.3	12.0	8.2
Virginia	100.0	2.3	73.6	.7	3.1	11.2	8.1
Washington	100.0	3.1	69.1	1.7	3.8	11.6	10.7
West Virginia	100.0	3.2	68.1	1.0	6.7	10.8	10.2
Wisconsin	100.0	2.9	67.7	.6	4.4	11.7	12.7
Wyoming	100.0	4.1	71.2	.8	3.3	10.8	7.8
Outlying areas:							
American Samoa	100.0	3/8.0	88.7	—	3.3	(2/)	—
Canal Zone	100.0	6.8	81.7	—	1.9	5.9	4.3
Guam	100.0	10.4	77.3	.2	10.6	.8	.7
Puerto Rico	100.0	5.8	84.0	.8	1.7	.9	6.8
Virgin Islands	100.0	4.5	78.8	1.7	3.5	9.5	—

1/ Based on estimates furnished by the Texas Education Agency.
2/ Items normally carried in fixed charges are charged to other function.
3/ Expenditures for plant operation are included in expenditures for administration.

Table 4.—Revenues for public elementary and secondary education by source and by State or other area: United States 1972-73
(In thousands of dollars)

State or other area	Revenue receipts							Non-revenue receipts	Total receipts
					Local				
	Total	Federal	State	Intermediate	Property tax	Other	Total		
1	2	3	4	5	6	7	8	9	10
50 States and D.C.	$52,141,275	$4,535,187	$20,844,183	$496,652	$24,242,152	$2,003,102	$26,245,243	$3,405,540	$55,546,815
Alabama	563,080	109,021	321,691	—	54,171	78,196	132,367	13,758	576,838
Alaska 1/	142,922	34,528	94,648	—	13,747	—	13,747	27,340	170,262
Arizona	515,165	46,359	190,180	24,054	226,170	28,401	254,572	38,243	553,408
Arkansas 1/	320,512	61,567	142,280	345	117,820	3,701	116,320	18,063	338,575
California	5,691,973	493,334	1,810,216	61,106	3,120,204	207,110	3,327,315	313,188	6,005,161
Colorado	618,291	43,169	172,955	3,327	368,400	30,440	398,840	46,207	664,498
Connecticut 1/	1,011,913	49,684	307,975	—	649,689	4,566	654,254	85,004	1,096,917
Delaware	187,565	14,606	130,046	—	37,435	5,478	42,912	19,057	206,622
District of Columbia	226,733	82,968	143,769	—	—	—	—	1,746	228,479
Florida	1,454,825	148,271	797,527	—	437,058	71,969	509,027	81,291	1,536,116
Georgia	882,826	121,232	428,076	—	311,499	22,018	333,518	61,769	944,595
Hawaii	201,185	26,642	175,143	—	—	—	—	26,484	227,669
Idaho	142,017	16,596	49,292	10,283	58,358	7,488	65,846	4,612	146,628
Illinois	2,693,182	169,089	1,144,656	—	1,379,426	—	1,379,426	223,038	2,916,219
Indiana	1,251,809	70,845	415,295	11,789	735,104	18,777	753,881	30,245	1,282,054
Iowa	714,543	39,202	221,114	30,964	411,664	11,599	423,262	30,887	745,429
Kansas	499,955	40,597	135,535	3,332	293,054	27,437	320,491	21,256	521,712
Kentucky	576,250	91,983	314,492	—	117,086	52,699	169,785	6,010	582,260
Louisiana	788,579	110,624	434,815	—	137,259	103,881	241,140	99,460	888,039
Maine	235,065	21,818	83,891	—	127,087	2,270	129,347	19,251	254,316
Maryland	1,263,321	92,620	541,956	—	621,572	7,173	628,745	22,847	1,286,168
Massachusetts 1/	1,599,283	89,487	484,623	—	982,219	51,934	1,034,173	145,918	1,745,201
Michigan	2,814,357	158,056	1,123,012	4,563	1,326,678	202,048	1,528,726	127,975	2,942,332
Minnesota	1,233,769	67,981	702,557	8,777	427,627	26,828	454,454	99,504	1,333,273
Mississippi	374,325	99,409	184,866	188	82,871	6,992	89,862	20,065	394,390
Missouri	1,034,497	90,956	359,600	59,275	443,714	80,952	524,666	53,720	1,088,216
Montana	188,272	19,314	52,530	49,684	64,743	2,021	66,764	20,669	208,941
Nebraska	320,624	28,124	48,001	8,754	230,423	5,323	235,746	7,971	328,595
Nevada	139,676	10,738	49,069	—	55,182	24,686	79,868	24,328	364,004
New Hampshire	162,628	8,709	12,664	—	139,671	1,584	141,255	12,093	174,721
New Jersey	2,181,437	129,244	545,260	—	1,480,405	26,528	1,506,933	199,123	2,380,560
New Mexico	271,607	56,095	183,445	20,354	10,912	20,801	31,713	19,226	290,834
New York	6,166,539	339,748	2,510,114	—	3,112,123	204,552	3,316,676	355,457	6,521,996
North Carolina	964,999	143,249	559,901	—	247,763	14,085	261,849	11,127	976,125
North Dakota	147,535	20,741	40,002	20,611	59,034	7,147	66,181	189	147,724
Ohio	2,360,628	143,329	783,468	—	1,406,326	27,304	1,433,631	359,285	2,719,912
Oklahoma	502,280	59,361	222,946	17,594	188,298	14,082	202,379	29,484	531,764
Oregon	585,306	47,190	115,269	105,266	307,290	10,290	317,580	20,070	605,376
Pennsylvania	3,079,724	250,899	1,459,234	—	1,060,940	308,651	1,369,591	96,112	3,175,836
Rhode Island	230,943	16,187	76,388	18,694	114,654	5,021	119,675	9,223	240,166
South Carolina	525,355	100,486	279,298	—	117,968	27,613	145,581	37,128	562,493
South Dakota	154,775	24,909	20,005	1,062	105,252	3,478	108,730	4,429	159,134
Tennessee	617,378	99,997	262,649	—	165,436	89,295	245,731	71,221	688,599
Texas 1/	2,501,214	313,495	1,164,302	3,351	960,933	59,143	1,020,076	263,000	2,764,224
Utah	275,246	28,943	144,133	—	93,010	7,160	102,170	44,455	319,701
Vermont	129,624	7,115	42,876	—	75,841	3,793	79,633	13,035	142,659
Virginia	1,107,177	133,868	368,353	—	587,198	17,759	604,957	89,410	1,196,588
Washington	885,621	81,505	436,746	—	324,022	43,348	367,370	17,530	903,151
West Virginia	352,620	51,852	190,740	524	105,440	4,063	109,504	851	353,470
Wisconsin	1,355,735	49,640	352,869	11,485	719,732	22,009	741,740	62,784	1,218,519
Wyoming	98,444	9,209	33,712	21,288	32,844	1,391	34,235	400	98,844
Outlying areas:									
American Samoa	7,208	1,629	5,579	—	—	—	—	—	7,208
Canal Zone	16,888	16,888	—	—	—	—	—	—	16,888
Guam	26,265	6,501	19,764	—	—	—	—	—	25,265
Puerto Rico	397,406	89,286	308,120	—	—	—	—	—	397,406
Virgin Islands	26,957	3,190	23,768	—	—	—	—	—	26,957

1/ Data reported by the State did not include receipts from sale of bonds and were adjusted by primary market sales of public school bond issues reported sold in the State in FY 1973. Source: Bond Sales for Public School Purposes, DHEW publication (OE) 74-11406.

2/ Estimates by the Texas Education Agency, supplemented by Department of Agriculture data on value of commodities for the school lunch program.

Table 5.--Revenue per pupil in average daily attendance for public elementary and secondary education, by source, and by State or other area: United States, 1972-73

State or other area	Total		Federal		State		Intermediate		Local	
	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent
1	2	3	4	5	6	7	8	9	10	11
50 States and D.C.	$1,236	100.0	$ 108	8.7	$ 494	40.0	$ 12	1.0	$ 622	50.3
Alabama	765	100.0	148	19.3		57.2	—	—	180	23.5
Alaska	1,831	100.0	442	24.2	1,213	66.2	—	—	176	9.6
Arizona	1,167	100.0	105	9.0	431	36.9	54	4.6	577	49.5
Arkansas	781	100.0	150	19.2	347	44.4	1	.1	283	36.3
California	1,256	100.0	109	8.7	399	31.8	13	1.0	733	58.5
Colorado	1,158	100.0	81	7.0	324	28.0	6	.5	747	64.5
Connecticut	1,631	100.0	80	4.9	497	30.5	—	—	1,054	64.6
Delaware	1,520	100.0	118	7.8	1,054	69.3	—	—	348	22.9
District of Columbia	1,935	100.0	708	36.6	1,227	63.4	—	—	—	—
Florida	1,062	100.0	108	10.2	583	54.9	—	—	371	34.9
Georgia	892	100.0	122	13.7	433	48.5	—	—	337	37.8
Hawaii	1,208	100.0	156	12.9	1,052	87.1	—	—	—	—
Idaho	814	100.0	95	11.7	283	34.8	59	7.2	377	46.3
Illinois	1,278	100.0	80	6.3	543	42.5	—	—	655	51.2
Indiana	1,124	100.0	64	5.7	373	33.2	11	1.0	676	60.1
Iowa	1,170	100.0	64	5.5	352	30.9	51	4.4	693	59.2
Kansas	1,110	100.0	90	8.1	301	27.1	7	.6	712	64.2
Kentucky	872	100.0	139	16.0	476	54.6	—	—	257	29.4
Louisiana	1,016	100.0	143	14.1	561	55.2	—	—	312	30.7
Maine	1,018	100.0	95	9.3	363	35.7	—	—	560	55.0
Maryland	1,565	100.0	115	7.3	671	42.9	—	—	779	49.8
Massachusetts	1,408	100.0	71	5.0	427	30.3	—	—	910	64.7
Michigan	1,395	100.0	78	5.6	557	39.9	2	.2	758	54.3
Minnesota	1,470	100.0	81	5.5	837	56.9	10	.7	542	36.9
Mississippi	762	100.0	202	26.5	377	49.4	(1/)	.1	183	24.0
Missouri	1,134	100.0	100	8.8	394	34.8	65	5.7	575	50.7
Montana	1,185	100.0	121	10.3	331	27.9	313	26.4	420	35.4
Nebraska	1,032	100.0	91	8.8	154	15.0	28	2.7	759	73.5
Nevada	1,151	100.0	89	7.7	404	35.1	—	—	658	57.2
New Hampshire	1,030	100.0	55	5.3	80	7.8	—	—	895	86.9
New Jersey	1,615	100.0	96	5.9	404	25.0	—	—	1,115	69.1
New Mexico	1,056	100.0	218	20.6	635	60.2	79	7.5	123	11.7
New York	1,995	100.0	110	5.5	812	40.7	—	—	1,073	53.8
North Carolina	902	100.0	134	14.8	523	58.0	—	—	245	27.2
North Dakota	1,079	100.0	152	14.1	292	27.1	151	14.0	484	44.8
Ohio	1,065	100.0	65	6.1	353	33.1	—	—	647	60.8
Oklahoma	884	100.0	105	11.8	392	44.4	31	3.5	356	40.3
Oregon	1,359	100.0	110	8.1	268	19.7	244	18.0	737	54.2
Pennsylvania	1,423	100.0	116	8.1	674	47.4	—	—	633	44.5
Rhode Island	1,387	100.0	97	7.0	459	33.1	112	8.1	719	51.8
South Carolina	910	100.0	174	19.1	484	53.2	—	—	252	27.7
South Dakota	1,008	100.0	162	16.1	130	12.9	7	.7	709	70.3
Tennessee	742	100.0	120	16.2	316	42.6	—	—	306	41.2
Texas 2/	1,001	100.0	126	12.6	466	46.6	1	.1	408	40.7
Utah	988	100.0	104	10.5	517	52.4	—	—	367	37.1
Vermont	1,261	100.0	69	5.5	417	33.1	—	—	775	61.4
Virginia	1,122	100.0	136	12.1	373	33.3	—	—	613	54.6
Washington	1,230	100.0	113	9.2	607	49.3	—	—	510	41.5
West Virginia	922	100.0	136	14.8	499	54.1	1	.1	286	31.0
Wisconsin	1,280	100.0	55	4.3	391	30.5	13	1.0	821	64.2
Wyoming	1,232	100.0	115	9.3	422	34.3	266	21.6	429	34.8
Outlying areas:										
American Samoa	937	100.0	212	22.6	725	77.4	—	—	—	—
Canal Zone	1,287	100.0	1,287	100.0	—	—	—	—	—	—
Guam	1,057	100.0	262	24.8	795	75.2	—	—	—	—
Puerto Rico	602	100.0	135	22.4	467	77.6	—	—	—	—
Virgin Islands	1,388	100.0	164	11.8	1,224	88.2	—	—	—	—

1/ Less than $0.50.
2/ Based on estimates by the Texas Education Agency.

ATTACHMENT I

Excerpts from LEGISLATIVE REVIEW

Education Commission of the States

SCHOOL FINANCE BRIEFER

November 25, 1974

From:
Legislative Review (Education Commission of the States) Vol. 4 No. 17, August 12, 1974.

STATE SCHOOL FINANCE REFORM AND HR 69

The Elementary and Secondary Education Act Amendments of 1974 (HR 69) contain two significant provisions that are designed to augment state equalization plans.

The first advocated strongly by a number of organizations allows states under certain conditions to "count" impact aid payments to local educational agencies in computing state aid. The impact aid program (Public Law 81-874) prohibits a state taking impact aid payments into consideration in computing state aid (see Legislative Review, Aug. 27, 1973). Section 304 of HR 69 amends this general prohibition to allow states that have programs of state aid that are "designed to equalize expenditures for free public education among the local educational agencies" to consider impact aid payment in determining the relative financial need of such agencies. The amendment provides that a state may consider impact aid funds only in proportion to the share of local resources covered by a state plan.

The guidelines for this section, to be written by the U.S. Commissioner of Education, are to take into consideration the provision that "equalized expenditures" not adversely affect a recognition of the higher costs of special programs.

The second item, Section 842, authorizes federal reimbursement of costs incurred by states in the development of equalization plans. States may receive from $100,000 to $1,000,000 to assist in such planning, depending upon relative population.

Guidelines for the implementation of this portion of the plan will be developed by the U.S. Commissioner of Education during 1975, subject to veto by resolution of either house. One criterion in the statute requires that state plans shall be designed to implement a program of state aid for free public education that is consistent with the 14th Article of Amendment to the Constitution, the primary purpose of which is to achieve equality of educational opportunity for all children in attendance at the schools of the local educational agencies of the state.

States will be required to submit equalization plans by July 1, 1977. However, a state may still receive reimbursement if its plan does not fit with the federal guidelines provided it includes in its plan the reasons for rejection of the federal standards.

While it is certainly desirable that Congress voice its support for school finance reform, this intricate and cumbersome procedure may well be more trouble than it is worth since many states are moving aggressively to deal with finance reform issues.

States may use funds received under Title III of ESEA (consolidated by HR 69) for planning school finance reforms.

Ed. note: At this time, HR 69 awaits the President's signature or veto. Speculation around Washington was that Mr. Nixon might veto the bill with a very good possibility that Congress would override the veto. The question now is, "Does Ford have a better idea?"

SCHOOL-FINANCE FOLLOWERS, PACK YOUR BAGS!

The Ford Foundation is sponsoring a conference on "The Political Economy of Education" at Silverado, Calif., Oct. 30 to Nov. 2. The foundation has put together a blue-ribbon group of experts for this meeting.

And in New Orleans, next March 2 to 4, the Institute for Educational Finance, University of Florida, Gainsville, (Kern Alexander, K. Forbes Jordan et al.) will sponsor the annual National School Finance Conference.

ECS FINANCE PROJECT

Staff members of ECS school finance project funded by the Spencer Foundation are conducting an in-depth follow-up survey of 10 states that enacted major school finance changes in 1973. (See Research Brief Vol. 2, No. 2, Major Changes in School Finance: Statehouse Scorecard). Preliminary findings indicate that a number of the states have reduced the disparity in tax rates but have not reduced disparities in per-pupil expenditures among districts.

- COURTS

A major court case in school finance is being revitalized in Texas. In dispute: a claim by the school districts of Fort Worth, Dallas and Houston that the current method for tax assessment in the state is inequitable, and that it violates both due process and equal protection. The districts say they've lost state aid because their property has been assessed at a higher market-value ratio than in other districts. Efforts to get a three-judge federal panel to rule on the suit were aborted by the plaintiffs last year after nearly a four-year wait. Now they're thinking about refiling in a state court, but first they've asked for an opinion from the state attorney general. The case: Fort Worth Independent School District v. Edgar.

From:
Legislative Review (Education Commission of the States) Vol. 4 No. 19, October 14, 1974.

Poll of ECS commissioners

Top concern: state-local roles

Determining the proper role of state and local governments in funding the nation's schools and developing alternatives to the local property tax as a major source of school funding are top concerns of ECS commissioners in 45 member states, Puerto Rico and the Virgin Islands.

According to a poll of commissioners, the problems of education finance and governance boil down to coordinating the efforts of government agencies at all levels.

Results of the poll of 321 governors, legislators, educators and laypersons in the 47 ECS member jurisdictions were released at the commission's annual meeting in Miami.

It was the second poll of ECS commissioners this year. The first, conducted in January and February, disclosed that the top concerns of those responsible for education in the states fell into four categories: education finance, education governance, the education of handicapped children and postsecondary education.

The second poll was designed to determine which issues within each category were of greatest importance and which were appropriate for ECS involvement.

On six education finance issues, commissioners indicated that their major concern is determining which level of government should be responsible for funding local schools.

Their second priority is developing alternatives to local property tax revenues as the primary source of local school funding. However, 56 per cent of the commissioners responding said they believed local tax authority is essential to local program determination.

Their third finance priority is linking state fund allocations to accountability.

Following are the top three priorities of ECS commissioners in each of the other three categories:

Education Governance

1. Determining proper federal-state-local roles in education governance.
2. Coordinating education efforts, preschool through graduate school.
3. Determining proper levels of long-range planning and decision making.

Educating Handicapped Children

1. Coordinating efforts of all agencies that serve handicapped children.
2. Implementing new legislation.
3. Developing career education programs for handicapped children.

Postsecondary Education

1. Developing a statewide plan for postsecondary education.
2. Coordinating federal, state, local and private sources of funding.
3. Developing alternative means of delivering instructional services.

Of the 321 commissioners polled, 223, or 70 per cent, responded.

Copies of the report on the second poll have been mailed to all commissioners. Additional copies are available without charge from the ECS Communications Department, 1860 Lincoln St., Denver, Colo. 80203.

From:
Legislative Review (Education Commission of the States) Vol. 7 No. 4, August/September, 1974.

Education Commission of the States

Legislative Review

November 18, 1974 Vol. 4 No. 20

- SCHOOL FINANCE

Activity in this area resembles a large stove loaded down with kettles, pots and boilers in various stages of simmer, boil and stew.

The hottest caldron is on the New Jersey portion of the stove. There the court mandate from Robinson v. Cahill has the legislature under a Dec. 31 deadline to produce a finance plan that will meet the "thorough and efficient" standard. A lot of legislative cooks are in the kitchen, and the legislature is due to reconvene Nov. 21. Information sources in New Jersey say they are hopeful a solution (legislation) will be through both houses by Nov. 27.

On the California end of the stove, the Serrano container is only up to a slow simmer. The legislature has a six-year court deadline to face. Both the house and senate education committees are now conducting hearings on the implications of the Serrano decision on school finance.

Down in Texas, where the heat had been turned off by the U.S. Supreme Court ruling in the Rodriguez case, the state attorney general ruling in the Fort Worth Independent School District v. Edgar case (see Legislative Review, Oct. 14, 1974) may have things warming up again. Basically the opinion says that the commissioner of education can require assessor collectors to report to him the percentage of market value used in making their assessment for state and county ad valorem tax purposes and that he may use the data thus obtained to equalize all county valuations to full market value before computing it in the economic index.